

MOODY'S ASSIGNS Baa1 RATING WITH POSITIVE OUTLOOK TO DOVER, NH'S ..



Moody's Investors Service

Global Credit Research

New Issue

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New Issue: Dover (City of) NH

MOODY'S ASSIGNS Baa1 RATING WITH POSITIVE OUTLOOK TO DOVER, NH'S \$22.99 MILLION G.O. BONDS

BOND RATING UNDER REVIEW FOR POSSIBLE UPGRADE; APPROXIMATELY \$67.74 MILLION OF OUTSTANDING DEBT AFFECTED

Municipality
NH

Moody's Rating

ISSUE

RATING

General Obligation Bonds

Baa1

Sale Amount \$22,900,000

Expected Sale Date 03/22/01

Rating Description General Obligation, Unlimited Tax

Opinion

NEW YORK, Mar 20, 2001 -- Moody's Investors Service has assigned a Baa1 rating with a positive outlook to the City of Dover (NH)'s \$22.99 million, General Obligation Bond Bonds. The rating and outlook reflect Dover's steady financial improvement, supported by continued tax base growth, and a manageable debt burden. The bonds, which finance various capital projects, are secured by the city's general obligation, unlimited tax pledge. At this time, Moody's has also affirmed the Baa1 rating on \$44.79 million general obligation bonds outstanding and placed the city's bond rating on Watchlist for a possible upgrade. The rating upgrade is pending clarification of a NH Superior Court decision issued last January that the statewide property tax levied for school funding is unconstitutional because property assessments are calculated unevenly by New Hampshire's 234 municipalities due to unequal property assessment practices and irregular revaluations. The state has appealed that decision to the NH Supreme Court, which heard the case on March 15 and is expected to render a decision by mid-April.

STEADY FINANCIAL IMPROVEMENT

Moody's anticipates that Dover's finances will continue to be well-managed given the city's conservative budgeting and steady increases in tax revenues. As a result of conservative budgeting of revenues and expenditures, the FY2000 General Fund balance is \$5.09 million, or a healthy 11.4% of operating revenues, up from 3.5% in 1996. While the current year budget calls for a slight fund balance drawdown to stabilize the tax rate, management expects to maintain a solid 10% reserve. Operating revenues are derived from two main sources: 65.% from property taxes with average collection rates at 96%; and 19.7% from state aid for education.

Schools are a department of the city, with over 50% of Dover's operating budget devoted to funding education. Approximately 11% of Dover's operating revenues (\$5 million) is provided by the statewide property tax collected since fiscal 2000. This state revenue source has stabilized the city's tax levy. The recent state lower court decision relating to the use of statewide property taxes to fund education makes the future levy of the statewide tax uncertain. However, we expect the statewide school funding plan will have limited impact on the city's financial operations. In the opinion of bond counsel, this decision does not affect the authority of the city to levy unlimited property taxes to pay its general obligation bonds. Moody's has received an unqualified opinion from bond counsel pertaining to the current offering, which includes school purpose bonds.

MODERATE TAX BASE GROWTH INCREASES REVENUE BASE

Moody's expects the city's tax base will continue to grow, given a strong real estate market and the availability of developable land. Dover is primarily residential (75%), with a good mix of industrial and commercial (25%) sector. Tax base growth has resumed, ending the period of decline and stagnation, as assessed values continue to increase. City officials anticipate strong annual tax base growth, which has averaged 2.2% from 1996 to 2000 and saw an 11.1% increase due to a revaluation in 2001, will continue in the next few years primarily due to planned growth in the commercial and commercial sector.

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Socioeconomic indices are slightly below than state averages, and full value per capita is a solid \$49,811.

DESPITE FUTURE BORROWING, DEBT BURDEN TO REMAIN MANAGEABLE

Despite future borrowing requirements, Moody's expects the city's debt position will remain manageable given a significant amount of self-supporting debt, state building aid and rapid retirement. One quarter of the city's direct debt is supported by water and sewer fund revenues, which puts the overall debt burden only slightly above average at 4.2% of full valuation. However when adjusted for state building aid, this burden is reduced to 3.9%. Principal is amortized at a rapid rate of 73.6% in ten years. The current issue will finance a variety of capital projects including school, water and sewer projects and proceeds from these bonds will retire \$7.4 million in bond anticipation notes (BANs). The city expects to issue an additional \$4 million in 2002 to finance a landfill remediation project.

KEY STATISTICS

1999 Population (estimate): 26,586

1990 Per Capita Income: \$ 15,413 (96.6% of State)

1990 Median Housing Value: \$119,900 (92.7% of State)

2000 Full Valuation: \$ 1.3 billion

2000 Full Value Per Capita: \$49,811

Overall Debt Burden: 4.2%

Adjusted Overall Debt Burden: 3.9%

Payout of Principal (10 years): 73.6%

FY00 General Fund Balance: \$ 5.09 million (11.4% of General Fund revenues)

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